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## Conference Call Transcript

**ORASYP - Q3 2009 ORASCOM TELECOM S A E Earnings Conference Call**

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Nov 16, 2009 / 02:00PM GMT, ORASYP - Q3 2009 ORASCOM TELECOM S A E Earnings Conference Call

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*Orascom Telecom SA - CFO*

**Khaled Bichara**

*Orascom Telecom SA - COO*

## CONFERENCE CALL PARTICIPANTS

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*JP Morgan - Analyst*

**William Kirby**

*Nevsky Capital - Analyst*

**Delilah Heakal**

*Pharos Securities - Analyst*

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**Kevin Rowe**

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*Merrill Lynch - Analyst*

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## PRESENTATION

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**Operator**

Thank you for standing by, and welcome to the Orascom Q3 financial results conference call. At this time, all participants are in a listen-only mode. There will be a presentation, followed by a question and answer session. (Operator Instructions). I must advise you that this conference is being recorded today, Monday November 16, 2009.

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I'd now like to hand the conference over to your speaker today, Stephen Pitts. Please go ahead, sir.

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**Stephen Pitts - Deutsche Bank AG - Managing Director, European Leveraged Finance**

Hi, everyone. Listen, on behalf of Deutsche Bank, we're very pleased to host the quarter three results conference call for Orascom. What I'd like to do now is turn it over to the new head of IR, Noha Khalil, and she'll introduce the rest of the management team from Orascom.

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**Noha Khalil - Orascom Telecom SA - Head of Investor Relations**

Thank you, Stephen. Good afternoon, ladies and gentlemen, and good morning to those of you connecting from the US, and welcome to the Orascom Telecom third quarter 2009 results.

Before starting the call, I would like to make the standard forward looking safe harbor statement. The forward-looking statements made on this call, are expectations made by reasonable assumptions. These forward looking statements are subject to numerous risks and uncertainties. These statements may not be regarded as a representation of anticipated results which will occur on our expected objectives.

The forward-looking statements are only valid until this date, and Orascom Telecom does not undertake to update these in any form.

I now have the pleasure to introduce our speakers today, Mr. Naguib Sawiris, Executive Chairman; Mr. Khaled Bichara, Chief Executive Officer; and Mr. Aldo Mareuse, Chief Financial Officer.

With that, I would like to hand the call over to Mr. Naguib Sawiris.

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

Welcome, everybody. I would like to just start by giving you the overall [touch] you have now. We believe in general that the telecom situation in the world today is bound for consolidation. We believe that consolidation will happen on a country scale, but also happen on a Group scale. And as I mentioned in my press release about the change in the Organization, one of the reasons of that change is that I would really like to look forward in the next coming two years to concentrate on this consolidation.

And I will take active part, whether it is on country level or on the Group's level. The appointment of Mr. Bichara is really a -- to have someone more focused on the next coming years of the Company, extracting all the recommendations which have been a result of a very extensive report by consultants that we've appointed to see how the Group can move forward.

So I believe, as I've said before, that the amount of available assets in the world today are becoming very scarce. I believe also that most of our Group's talking to similar groups of my size, everybody is convinced that size will matter if we need to go out and compete against larger companies, such as Vodafone or Telefonica, or others. And I think recent attempts by some of our peers in that regard are only a proof of that.

As you can also see, the pricing that certain assets are fetching today, whether you talk about the sale of Meditel and the multiples that have been paid there, or if you see the recent acquisition of GVT by Vivendi, which is another world record of valuation.

So we believe that we are sitting on very valuable assets. We believe that our strategy to sit 'til the end will pay off in the value of our assets now. You can even see what happened in Bangladesh yesterday when the Grameenphone listing took place. The Company has been valued at I think \$3.7 billion, and we're not far apart from them in our position in the market.

Having said so, I will leave now the word to Aldo to explain the financial results, and then maybe Mr. Bichara, our wonderful and great new CEO will take the word afterwards. Thank you.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Thank you Naguib. Good morning; good afternoon. If you look at our earning release, I will start with the subscribers. As you can see, we have made some tremendous progress in terms of subscriber growth. Our -- we have increased subscribers by over 9 million since last year, and another 4.8 million from the last quarter.

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So very good growth across the board. In Pakistan the last two quarters, we have seen 1.8 new million subscribers. In Egypt, we have seen 2 million over the last quarter. Good growth also in Tunisia and Bangladesh. In Algeria, the growth is a little bit lower than in other countries, mostly due to very aggressive competition from one of the players.

So that's on the subscriber front. On the ARPU front, I will remind everybody that it is important to understand that the Ramadan was, for the first time, exclusively in the Q3 this year. Ramadan usually has a negative impact on MoUs and ARPU, so when you look at the ARPU numbers, you have to take this into account, as it does offset some of the good results of the earlier month in July, the traditional good month in the summer.

So if you look across the board, the ARPU is holding up, especially in local currency. If you look at the table three, in Algeria, you see that over the last year, we have increased the ARPU by 1.5%. In Pakistan, where obviously the country has been a difficult economical situation, it's a 9% growth year-over-year, and Tunisia, it's a slight decrease of 1.9%.

As far as Algeria is concerned, you have to -- we have seen top of the Ramadan period, you have also to -- have to remind everybody that in July, we have, as every year, the interconnection rate has been reset from DZD2.4 to DZD1.6, so this has this year an impact on the ARPU.

So that's on the ARPU side. Table four, which is market share, we are continuing to increase market share in Tunisia, Bangladesh; stable in Pakistan, and will decrease slightly in Algeria and Egypt, due to, as I said, very strong competition in these two countries in the third quarter.

In Algeria, from Mobilis which is Algerie Telecom, and in Egypt from Etisalat, which is the third player.

Turning now to revenues, which is the table six, once again, if you look at the -- sorry, table seven to start with, which is the local currency, you see very good growth across the board; from Algeria, 6% over last year, 20% in Tunisia, and only a -- and a stable situation in Pakistan, even though, obviously, this country has gone through a very difficult economical situation.

In the other countries where there has not been devaluation, and if you look at table six, you see a good in Egypt and Bangladesh, so 6% year-on-year growth in Egypt, and 25% in Bangladesh.

So overall, the trend is positive. From last quarter, even in US dollar terms, we have increased our revenue on the GSM side by 1% from Q2 to Q3.

On the EBITDA level, once again, if you look at the local currency, which is table nine, you see strong growth across the board in Algeria, Pakistan and Tunisia, which is basically linked to the revenue performance in these countries, and also the OpEx reduction program that we have started in all these operations since the beginning of the year.

In the other countries which have not suffered any devaluation, such as Egypt and Bangladesh, you see very good performance, with 10% year-over-year growth in Egypt and, obviously, Bangladesh turning positive from -- at \$95 million in the first nine month of 2009, versus a negative performance in 2008.

On the margin side, which is table 10, you see overall a slight decrease of the EBITDA margin at the GSM side from 50% to 49.5%. This is mostly due to the reduced margin in Algeria. The reduction in the margin of Algeria is due to two factors.

The first one is the interconnection, the reset of the interconnection rate. And the second one is there has been a 5% tax on recharge [cards] which has been installed in Q3 which we have not -- which we are not allowed to pass onto consumers. So this has had an impact on the margin, which we had actually told you about at the investor day and on all our conference calls.

For the other countries, you see very good margin performance, in Pakistan, Tunisia. Some reduction in Bangladesh, due to some marketing activities, but overall, it's still a 40% EBITDA margin in Bangladesh.

Turning to the income statement, which is table 12; so we talked about the revenue and EBITDA. Strong also growth at the operating income level, 2% quarter-over-quarter. Then if you look at the profit before tax, we have a 23% increase. That's mostly due to reduction of net financing costs, and then at the net income level, a progression of 62% quarter-over-quarter to \$180 million for the third quarter of 2009. So a very good performance at the net income level.

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Balance sheet, which is table 13, pretty stable picture here. We have very modest increase in the net debt from \$5.1 billion in the end of December to \$5.2 billion in September 2009.

Cash flow statement, which is table 14. Here too, you see mostly a steady performance. I think two things to note in the cash flow is that, as you see, the income tax rate has increased from 2008 to 2009. This is basically due to the deferral of some taxes from -- some deferral of some cash taxes from 2008 to 2009, and the other thing to notice on the investments, obviously, you see the product of the reduction of CapEx in Pakistan and Bangladesh in the cash outflow for investments.

Switching now to CapEx, which is table five. So you see that the consolidated CapEx to sales has decreased from about 30% to 19% year-over-year, which is mostly due to our cash flow optimization program, mostly in Pakistan and Bangladesh.

So these are the main highlights of the numbers of the third quarter, and I would now turn you over to Q&A. Or I don't know, Khaled, if you have anything to add on the operational side?

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**Khaled Bichara - Orascom Telecom SA - COO**

I think, Aldo, we covered most of it. I just would like to again maybe say that we are working very diligently on Algerian tax issues with Algerian Regulator who is very understanding that because the tax came from the financial side, the Financial Ministry, so now we're working on re-pricing. And we have several proposals, us and other players in the market, to do some re-pricing and some set up fees for the (inaudible), and so on, to mitigate for this margin cut that we got there, and we are optimistic that we should be reaching something before end of this year.

Also, in general, we continue to focus on increasing the values of our current base knowing that we will continue to add customers not at the same rate. So we're looking at, as you have seen, increasing ARPU's and (inaudible) relation in most of these markets.

So I think now we can go to Q&A.

## QUESTION AND ANSWER

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**Operator**

Thank you. We will now begin the question and answer session. (Operator Instructions). Your first question comes from Jean Charles Lemardeley from JP Morgan. Please ask your question.

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**Jean Charles Lemardeley - JP Morgan - Analyst**

Yes, hello. Firstly, if you could in Algeria give us a quantification of the impact of the MTR cuts on revenues and also on your costs. And just, are you a net payer of Interconnect in Algeria, or a net receiver?

And then just to clarify, on Pakistan, you mentioned that the tax was reduced; the federal excise duty was reduced at the end of the third quarter; the new tax applied from the beginning of July. So just to clarify whether it had an impact on the third quarter, or the impact will be felt in the fourth quarter and beyond.

And the last question is more general. In Paris at the investor day, you mentioned that you were looking into the possibility of merging Orascom and Weather, so I was wondering if you could give us an update as to how your thinking has evolved on that matter.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Naguib, you want to take the last question, and I'll take the first one after?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

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Okay. I think on the last question, it's very simple. We have -- we believe that it's a good thing to start studying the various options we have, because many of our investors have complained from the dual structure of the Weather holding. And so we had actually three ideas.

We have an idea to do a Weather listing and offer the Orascom Telecom shareholders to up their shares into Weather. We have an idea of reverse merging Wind into Orascom Telecom, and we could have an idea of just listing Wind.

So what we are doing now, because there is a big anticipation that the markets are rebounding by next year, we are looking at all these alternatives and having bank analyze which is the best way and how is the most -- what are regulatory obstacles, what is the most also decent way to do things; what is the fair things towards all shareholders in Orascom; what is the returns, and so on.

So right now we are in the middle of all that. We need to explore that, but there is no decision that has been made, and there is no real action into any direction of any of the three alternatives here.

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**Jean Charles Lemardeley - JP Morgan - Analyst**

And just to clarify, you're talking about reverse merging Wind or Weather into Orascom?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

No, no it will be a -- Well, Weather is Wind. What we mean is Wind itself as a company; it's Orascom Telecom. It's as if Orascom would buy Wind for shares in Orascom Telecom, you know?

But, as I said, these are only ideas that have not materialized, have not been checked by the management; are only now at the banking level being studied (inaudible).

So we might elect then to do nothing, you know? Because, in fairness to everybody, we believe that, okay, there is an opportunity to improve the position of the --

Our main concern is that we believe that the Orascom Telecom share today does not reflect the real value, nor the ultimate value of Orascom Telecom, and we thought that after all the restructuring we've done in the past, after the good news of the performance on the operation, I mean, if you compare our results today with Zain or others, you will see that we are over-performing, and we believe the stock has been not reacting.

So it could be an explanation. It could be the situation in Algeria with this tax situation, which is understandable. But as I said, we are now only in a study mood, and there are four options that could happen.

We either decide not -- to do nothing, because the timing is not good. We can either decide for a listing on Weather if the banks think it's going to be a success, and it will result in an improved value for Orascom Telecom. Or we could just elect to, as I said, we'll list Wind and have an Italian listed mobile company in Italy. Or just do nothing.

So up to now we have not decided on any of these issues. I think all these issues will have to be studied, and then we can really tell you what is the intention here.

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**Jean Charles Lemardeley - JP Morgan - Analyst**

And just on the last thing; what kind of approval from minority shareholders would be required for a reverse merger of Wind into Orascom? Is there anything in your bye-laws or --?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

As I said, we have not studied that and we will not base our decision based on what rights are there. We will base our decision on what is the best thing for -- in perspective of Orascom Telecom shareholders, you know? That's the only decision we take. If any of these movements will not result in an improved performance and value for Orascom Telecom shareholders, we will not do that.

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But I have not looked at what-- if it's the right decision, then we will vote for it. We will not do anything that our shareholders don't accept, you know? So I have actually tested some of the solutions with some of the major shareholders, and we got their feedback, and we intend to respect that.

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**Jean Charles Lemardeley - JP Morgan - Analyst**

Okay.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

On the two first questions. On the MTR, obviously, because we have the biggest market share in Algeria and the biggest value share, we are net receiver of the termination rate. The incoming is about a little bit less than 10% of the total revenues and, obviously, this is a pure margin, but that means that almost 85% of the revenues is on net. I guess that answers your first question.

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**Jean Charles Lemardeley - JP Morgan - Analyst**

Yes. And sorry, the cut was on July 1? Did it affect the entire quarter?

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**Aldo Mareuse - Orascom Telecom SA - CFO**

It was -- it affects most of the quarter. I don't remember exactly the date, but I believe it's in the disclosure of the Algerian -- I can't remember the exact date in July, but it's definitely in July 2009, so it is mostly in the July number. Same for the -- I think you were talking about the 5% tax. That was also in July.

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**Jean Charles Lemardeley - JP Morgan - Analyst**

Okay, and in Pakistan, the excise duty reduction? When does that come into place?

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**Aldo Mareuse - Orascom Telecom SA - CFO**

That came in -- you mean the reduction of SIM tax from PKR500 to PKR250?

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**Jean Charles Lemardeley - JP Morgan - Analyst**

Yes, and also the reduction in the federal excise duty from 21% to 19.5%.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Yes, that's also in Q3. I don't know which month; can't remember which month it was implemented, but that's in Q3. So it was during in this quarter.

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**Jean Charles Lemardeley - JP Morgan - Analyst**

Okay, thank you.

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**Operator**

Your next question comes from William Kirby of Nevsky Capital. Please ask your question.

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**William Kirby** - *Nevsky Capital - Analyst*

Thank you. Just one question on North Korea. One of the tables mentions that there has been a freeze in handset sales, but that's not discussed in the Korea section. Are there any sort of restrictions in place currently?

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**Khaled Bichara** - *Orascom Telecom SA - COO*

No, actually on North Korea, the issue is the only seller of handsets is the KPTC, which is the local incumbent. So they just simply ran out of handsets and they were buying more, so it's a logistic issue not a regulatory issue.

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**William Kirby** - *Nevsky Capital - Analyst*

And when should we expect them to --?

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**Khaled Bichara** - *Orascom Telecom SA - COO*

No, it's already back in play now; it's no problem.

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**William Kirby** - *Nevsky Capital - Analyst*

Okay, great. Thank you.

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**Operator**

Your next question comes from Delilah Heakal of Pharos Securities. Please ask your question.

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**Delilah Heakal** - *Pharos Securities - Analyst*

Good afternoon, everyone. I was just hoping if you could elaborate a bit on the provision of tax assessment in Algeria for the years 2005 to 2007, and maybe clarify at what point would you consider making a provision for these tax assessments?

That's it. Thank you.

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**Naguib Sawiris** - *Orascom Telecom SA - Executive Chairman*

I think, as we've noted before, the whole tax claim, just for everybody's understanding too, first it concerns the exemption period. Basically, 90% or 95% of the claim constitutes in two points. The first point is the day of exemption, and on that point, we have a clear letter with the date from the Ministry of Finance which they are trying to renege on now.

The second point is that they assume that -- they make a false assumption that the revenue that is stated in our balance sheet, that has been reviewed by KPMG and is a function of our IT systems and so is incorrect, which is a joke in itself.

We have invited them several times now and in several meetings to come and check on their own our systems, because if they claim more revenue, I wonder where this revenue went. I don't have it. It's not on my books, and it will take Einstein to come back from his grave to manipulate the systems to which -- or it would mean that we have another 5 million [subs] that are not on the earth.

So unfortunately they have not been very co-operative and they have not visited us on that, so we are -- I would say we are more on the pessimistic side that they will look into that or revise their assumptions.

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So we believe this is just an attempt to penalize us for our success. So having said so, I think we will have no remedy but to adhere to go to the -- to both legal action locally and internationally, because we have -- our investment treaty prevents any [consequential] decrees or change of the merits on the principles on which we invested. And the second point is that there is an investment treaty between Egypt and Algeria that prohibits that local shareholders receive the dividends while the foreigners don't receive it.

So they are in violation of both the investment treaty; they're in violation of the double investment treaty with Egypt; and also in violation to any sensible demand.

So we intend to fight that legally. At that time, we will then see with our auditors what kind of provision we need to take when the final assessment is received.

Just another addition; I don't think that the current situation -- I'm sure someone else will ask about that. There is an ongoing media and [multi] population war due to this football match. I bring a smile to the discussion here. The football match between Algeria and Egypt has escalated into a very sad situation.

Our main offices in Algeria have been attacked with thousands of people throwing stones and ransacking our premises. Around 10 to 15 of our shops were completely demolished and robbed. Our call centers have been attacked. Our personnel have been attacked and have been locked into their premises. Our sister Company, Orascom Construction's neighbor, has been subject to a fierce attack with stones and fire and, if it was not for the security forces in Algeria arriving, I think we would have had much more damage in the end. These forces had to be reinforced. We're quite worried.

Of course, this is not doing us any good because the relations, I would say, are currently tense, so there is a media war between the Egyptian media and Algerian media. The political environment is not very favorable. On the level of the people too, the environment is not good, so we are -- we hope that this will not have an effect on whatever is going to happen to us, but it just coincides that this is not good news.

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**Delilah Heakal - Pharos Securities - Analyst**

Okay, if I could just follow up with one question on the tax issue.

50% of 2008 dividends are currently withheld until you receive a tax clearance. Do you foresee the same happening to 2009 dividends? Will any funds be upheld until you receive clearance on 2005/2007 period?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

Well, the answer is very difficult. Legally speaking, they cannot. They should not and they cannot, but we have seen strange things happening, so I cannot comment on the outcome.

From a legal perspective, the tax dispute is based on 2004 until 2007. 2008 was not under dispute, so I believe also 2009 should not be under dispute. But what they are trying to do, whether they will prolong again the dividend or not, I cannot elaborate on that, because they've not been acting, I would say, by the book, so it's difficult to answer.

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**Delilah Heakal - Pharos Securities - Analyst**

Okay, thank you very much.

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**Operator**

Your next question comes from Martin Mabbutt of Nomura. Please ask your question.

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**Martin Mabbutt - Nomura International - Analyst**

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Oh, yes; good afternoon. Martin Mabbutt at Nomura here.

I wondered if you could just tell us a little bit about the situation in Canada; the amount of investment to date, and what your various options are from here on.

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

Okay. I will take that question, Aldo and Khaled, if you'll allow me.

I think we have seen -- we are speaking to both parties. We are speaking to the government and we're speaking to CTRC. On the CTRC side, we are actually exploring -- we're asking them to define and explain the ruling, because the ruling has a lot of vagueness in it, and they have been quite forthcoming in the last few weeks with their explanations.

We believe the decision is unfair, incorrect and not legal, and not according to their own norms even. So we believe -- we have reason to believe that the Government cannot accept such a ruling because of the fact that it actually defies their own laws, and the [SICAD] has approved our consortium and our -- and the way we presented our offer, and have given us a lot of clearance.

We have actually accommodated a lot of the requests of the CRTC during the hearings without them even asking. So if you're asking me what our options are, I believe that the Government's duty is to overturn that decision. We believe that there is a good reason for the Government to do that. We're bringing a lot of investments. We have acted in good faith. They have done the auction. They've taken our money, and they've approved our consortium. So to have a ruling like that is, from my point of view, extremely unacceptable and unjustified.

Now if you are referring to what our options are, I can tell you what the options that we will not take. Any of these guys out there, the incumbents, who think they can buy our frequencies, or drive us out of Canada, they are dreaming. We are going to launch before Christmas, and don't ask me how.

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**Martin Mabbutt - Nomura International - Analyst**

Okay, thanks very much.

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**Operator**

Your next question comes from Kevin Rowe of Rowe Equity Research. Please ask your question.

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**Kevin Rowe - Rowe Equity Research - Analyst**

Thank you, Naguib. Your opening comments about consolidation, I completely agree with. As you know, there are lots of large companies that have lately publicly stated their interest in being acquired; VimpelCom, Bharti, Vodacom, Orange. Not a lot of sellers, a lot of interested

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

I would keep Orange out of that context of our discussion.

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**Kevin Rowe - Rowe Equity Research - Analyst**

Then I'll throw in Millicom. What do you see as Orascom's role in future consolidation, given there's so many big players that have expressed public interest in buying?

And a follow-up question for Aldo. The Algeria EBITDA margin, you explained the two pressures there. Is this the new EBITDA margin we should expect for the near future, or do these two factors you mentioned put additional pressure in the coming quarters?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

I think on the first point, you mentioned everybody. The problem, today, in the mobile business is that everybody's a buyer, so who the hell is going to sell? Everybody wants to be bigger. You've got these Gulfies with the Saudi Telecom; Gulf Emirates, Qtels, and they want to buy everything, and then you have Bharti trying to buy MTN, and then you get these declarations. Now even Belgacom is saying, now I'm coming back to the market, I want to do --

So it's a very nice announcement from everybody. My simple question is, what's out there to buy? When we are saying here -- what we're saying here is like that. Orascom Telecom is not for sale, but Orascom Telecom would seriously consider a partnership of peers, not in the complicated form of this Bharti/MTN deal, but in a much more simpler form where we can grow our Company, and we believe that size matters

And we are not hooked up to any geography. Because, I mean, if you look at us, we could be joking. We're in Canada and North Korea, so you can draw the lines between there.

So I believe that this scarcity element is going to just boil and boil and boil, and assets are going to become more expensive. So what I'm telling everybody, well, why don't you have a look on Orascom Telecom on an account of sum of parts? Because if you do sum of parts, and I would value Bangladesh at the value that Grameen has traded right now and in the stock market there, I would value Pakistan at the rumor what is Telenor willing to pay Warid right now, and I would value Egypt at the license fee paid by Etisalat even, or any of these. Or I would value Egypt at the multiple of Meditel, 8.1 times/8.3 times EBITDA in a similar market. So my point of view, the best price is for the last seller.

And the second point is, we are interested. There are a lot of mid-sized companies of our size, and I believe that if we can combine with even one of these suitors, it would be good, and that actually was a main reason for me to get back for a while I've been conducting many of these discussions, and I know what's out there. and if you are attempting to get married, I think you should really concentrate, because it could be the mistake of your life, so you need to give it more time and attention. That's the thing I see, and that's been proven in the markets. Now if you look around it's -- everybody I talk to in my position and similar are thinking the same way.

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**Kevin Rowe - Rowe Equity Research - Analyst**

That color is helpful.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Okay. On the margin for Algeria, look we -- the reset of the interconnect rate is something that is done every year the same time in July. So you will see some kind of a dip of the EBITDA margin before growth just physically absorbs an offset, this decline in margin.

Now this year, obviously, we suffered two things at the same time, which is the interconnect and the 5% tax. We are still looking at ways to, as Khaled mentioned, to compensate this new tax, so I would say that we should go back to the 60%/65% margin in Algeria. So you should see a ramp-up of this margin a little bit in Q4 and maybe later on.

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**Kevin Rowe - Rowe Equity Research - Analyst**

Thank you.

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**Khaled Bichara - Orascom Telecom SA - COO**

Just one more there also on the interconnection. This is the first time that [Meditel] increases their symmetry between us and other players, although the market share did not increase. So we have very good technical reasons to believe then when it gets reset the next year, the asymmetry will get closer again and that is, of course, will be better for us.

So for the first time now, the difference between us and [the] other players increased, we don't understand really the logic for that, and we are building a case with the Regulator trying to explain that usually you only do this if the market share increase, not the reverse. So we believe that by next year, this asymmetry will go back to normal, which will allow the margins to improve again.

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**Kevin Rowe - Rowe Equity Research - Analyst**

Thank you again.

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**Operator**

Your next question comes from Hashim Omran of EFG-Hermes Asset Management. Please ask your question.

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**Hashim Omran - EFG-Hermes Telecom - Analyst**

Good afternoon, gentlemen. Thanks for hosting this call. I just have a couple of quick questions on operational, and then just one general question on strategy. In Algeria, there's a decline in the post-paid segment, given the fact that it's more expensive effectively for you now to add pre-paid subscribers. Can you explain why that dynamic is?

In Bangladesh, obviously it's a great performance. Do you think these margins are sustainable? Do you think that there's even room for growth from now to the end of the year on that front?

And then, finally, with regards to Algeria and the tax issue, and just generally, I'm just noticing a trend. Mr. Bichara just mentioned the problems with the interconnect and the asymmetry and the tax issues, and Mr. Sawiris just mentioned the -- obviously, the one-off events during the football game. But in general, does it seem to you that the operating environment in Algeria is just generally not becoming very conducive for you to extract as much value as you know it's worth, and that we as shareholders know it's worth as well?

Thank you.

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

The answer is, yes.

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**Hashim Omran - EFG-Hermes Telecom - Analyst**

Okay.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Bangladesh, maybe a letter, Khaled, on the post-paid one. Bangladesh -- look, the margin is completely function of two things, which is the scale and the SIM tax. The reason why you've seen a much bigger margin in Bangladesh is we have almost stopped completely the subsidization of the SIM tax, and that's a big factor [particularly] with the operation's getting to scale, you get this kind of margin.

So now it really depends on the competitive behavior. Right now, we have been able to maintain no subsidization of the SIM tax, so that should lead to a margin of around this level. If we -- if the competition -- competitive pressure was to make us renew this then, obviously, it will hit the margin.

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**Hashim Omran - EFG-Hermes Telecom - Analyst**

Okay.

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

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Back to Algeria, we had a very successful, actually maybe sometimes too successful, pre-paid offering, which we call daily and weekly, where you buy buckets of minutes per day or per week that you can use. And we got also migration from post-paid to pre-paid.

And I know the logical question would be, why didn't you do it in post-paid? Again, it's not an OTA exclusive issue, but the Regulator now is managing how many promotions you can have at the same time, so we could not do them both at the same time.

So we've seen some migration from post-paid to pre, but that's something that we believe is seasonal. Once we get our -- the rest of our offers in place, we will be able to migrate them back. But for those customers we've seen increased usage, so the promotion itself is successful, but you simply see optically that people are moving from pre to post.

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**Hashim Omran - EFG-Hermes Telecom - Analyst**

Okay, and just one last follow-up question to Mr. Sawiris. Given that your answer to my first -- to the general question I asked, is that in any way driving your decision as a Company to focus more on the consolidation efforts, or the marriage, or what have you? Is this really a direct result of you thinking that it's probably going to be better if we get -- enhance the value base for OT, so it's not just relying solely on Algeria?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

No, it's not the main issue; it's one of the elements, of course, but it was not the driver. Look, I'll make it very simple for everybody. Today, if I compete against -- take this one example which I can illustrate very well. I can compete -- I'm talking now not like Orascom as -- for changes, the Weather, but just for the sake of the example.

I compete against Vodafone in Italy and in Greece, okay? Now what can they do that I cannot do? One, they can get an iPhone deal. They can call Nokia and tell them what kind of handset they want and how many. They can buy this handset at a far cheaper price because they can order it for all their operations. They can offer free roaming across Europe. They can buy the equipment, if not better than me, then cheaper than me, because they definitely have a far bigger buying power. So in end result, they can have differentiation offers to the clients and their offerings, and they can have a lower cost structure based on their buying power. And they can offer free roaming around Europe. So I can't offer all of that, so what's my destiny long term?

I'm not going to even mention the others; start with innovation and market they're in, and knowledge and that they can borrow cheaper than I can borrow today, for example; it's another element of competition. So it all shows that unless you will have a robust balance sheet, unless you are going to big enough to buy the equipment, like the biggest available competitor, unless you have a larger footprint where you can extract some benefits on roaming, you are doomed long term to lose.

Now let's even take the other effect which is happening in telecoms. What is happening in telecoms today? Prices are coming down, margins are being pressurized, suppliers are going bust, and the consolidation I'm talking about is taking place rapidly on the supplier side. You've seen the Alcatel-Lucent, you've seen the Nokia Siemens; you've seen, you've seen, you've seen. Maybe in a few years you'll see who are we, [DPE] and Ericsson, and you won't see anybody else.

So what I'm saying is, it's going to move fast in the next coming -- you need to have a bigger [home] to be there. Algeria being a problem, not being a problem, making that of, course, it would be better for the Group if the weight of Algeria will not be so big because it's still quite dominant in the Orascom Telecom. And, as you said, you were absolutely right. I am very, how do you say, upset by this situation there now. And just again to throw the same joke in, we didn't need this other football match to worsen a situation which was already very, very bad.

Unfortunately, the Algeria we entered in is not the Algeria of today. We entered an Algeria where they were welcoming investment. They were very pro foreign direct investment. They had very stable loads. They never went back on their words, on their amendments, and today, it's a completely different scenario.

And you can say, okay, but you are not the only ones suffering from that; all the oil companies, the other investors are suffering from the same. It doesn't make it better for me. For me the value I have there is substantial. The effort we have there is substantial. The success we had there is substantial, and we are completely puzzled by this reaction by the authorities there. This -- the tax claims, I mean, we have been -- I need to be diplomatic on this call, but they have -- they are, at best if I want to be -- completely unfounded, un-based. And the way they are being even not willing to conduct in really scientific, technical discussions to show that they're coming from nowhere, makes me quite pessimistic.

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**Hashim Omran - EFG-Hermes Telecom - Analyst**

Thank you, Naguib, for your candor. Thanks, gentlemen. Thank you.

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**Operator**

Your next question comes from [Ramesh Narayan] of Infosys. Please ask your question.

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**Ramesh Narayan - Infosys - Analyst**

I will, thanks. I would like to get some clear idea what the liquidity position of standalone business? And I would like to know what is the cash level on a standalone business, and debt that is going to mature in 2009 and 2010.

And my second question is, what is going on with Africa operations? Just update me on Africa operations.

And my final question would be, why the revenues have declined in Korea. So if you give me a few reasons, that would be great. Thank you.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Look, as far as liquidity is concerned, we don't disclose all the standalone numbers. But, obviously, the source of liquidity come from basically three things; the dividends, the management fees, so this comes from Algeria, Tunisia, Egypt; and the with the new financing, so that's on the sources. And on the outflows, obviously, it's investments. At a standalone level, it's the investments that we make in equity, in --obviously in the new ventures, which are mostly Bangladesh, Canada and North Korea. So these are the picture from a liquidity perspective.

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**Ramesh Narayan - Infosys - Analyst**

Just with the debt that is going to mature at Holding Company, is it possible to give that number?

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**Aldo Mareuse - Orascom Telecom SA - CFO**

We have disclosed all the maturity. It's all on our website of the debt, so you have effectively on the standalone level and on the consolidated level. The debt that matures next year is \$150 million, which is part of the global bank facility. So most of the bigger chunk of debt matures in 2012, '13 and '14, so these are where the big chunks are. So there is no short term liquidity here.

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**Ramesh Narayan - Infosys - Analyst**

So what is the cash available at holding company level?

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Sorry.

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**Ramesh Narayan - Infosys - Analyst**

What is the cash available as of September '09?

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**Aldo Mareuse - Orascom Telecom SA - CFO**

We don't disclose this number.

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**Ramesh Narayan - Infosys - Analyst**

Okay, okay. Can you answer my second question?

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**Aldo Mareuse - Orascom Telecom SA - CFO**

African operations. Do you want to take this Khaled?

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**Khaled Bichara - Orascom Telecom SA - COO**

African Operations are still, as expected, growing fast. We are growing actually in also some of the markets on ARPU also. It's still pretty small compared to the rest of the Group, but we see a lot of potential there and we're giving them a lot of support.

You can see the gross percentages. I think they're separately mentioned as -- on the [telesat group]. So in terms of subscriber, we're looking at -- so 1 million to 200,000 -- 1.496 million 244,000 a year before. So we've added them really into -- in this year.

So we still believe, as Naguib mentioned, on gross and price, so we're looking also at opportunities in Africa where they are still at the [Group] level to see how we can consolidate more.

We're very focused on trying now to add more synergies with Orascom Telecom Holdings in general. We created a special holding to focus on that, because as you can imagine, [there's] one made for 100 customers, it's four countries, so we're managing them in a bit of a different way. I think this is high level the brief on Africa.

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**Ramesh Narayan - Infosys - Analyst**

Okay.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

What was your third question?

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**Ramesh Narayan - Infosys - Analyst**

I want to know why the revenues have declined in Korea in 3Q '09? North Korea; it has declined by -- it was \$8 million and it has decline to close to \$6 million.

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

It could be only the reason is that we stopped selling for about a month and a half and, therefore, the price of the initial activation is not included for a month and a half, that's why.

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**Ramesh Narayan - Infosys - Analyst**

Okay. So you stopped selling for a month and a half?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

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Yes, because of the lack of handsets, because the handsets are provided by KPTC, and because of that lack of handsets, I believe that the number has gone down. But next quarter, as they have solved this problem, should reflected the same, or even better revenue.

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**Ramesh Narayan - Infosys - Analyst**

Okay. Thank you.

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

It's already a miracle that we're selling anything there Ramesh, so --

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**Ramesh Narayan - Infosys - Analyst**

Okay, thanks.

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**Operator**

Your next question comes from Steven Pettifer of Merrill Lynch. Please ask your question.

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**Steven Pettifer - Merrill Lynch - Analyst**

Thanks; two questions, please. Apologies if you've already given this one. But did you -- can you give us what the provisional tax assessment is for the two years 2005 until 2007 in Algeria?

And then secondly, on Canada, I just wanted to clarify, will you be making a formal appeal? And just to understand a little bit more, if you changed the -- hypothetically, if you changed the loan structure today, would you be able to apply for a CRTC review tomorrow?

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**Aldo Mareuse - Orascom Telecom SA - CFO**

On the first question, we have received an assessment, which is not a claim. As Naguib said previously, we consider that the tax claim was completely groundless. Therefore, according with our internal tax advisor, we have not made any provision, because we believe that all this tax assessment has been groundless.

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**Steven Pettifer - Merrill Lynch - Analyst**

So there's no number attached to that assessment?

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**Aldo Mareuse - Orascom Telecom SA - CFO**

We have not made any provision because of the fact that it's groundless. We consider this groundless, and we have made no provision in accordance with our auditors and tax advisors. Okay?

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**Steven Pettifer - Merrill Lynch - Analyst**

Okay.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

And for Canada, Naguib, do you want to take this one?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

Okay. In Canada, to be honest, we don't want to be too clear about our intentions because we don't want to make any of our competitors happy; we don't want to make the CRTC happy because we believe that their ruling is completely unacceptable. So our point is, before we are going to appeal this, we are asking the Government to reverse that decision on their own merit, because --

I mean, look at it from the perspective of an investor. He goes out there, people auction some frequencies, they tell him you can do it this way. He pays the price, a very high price for the frequencies. He pays the money. He submits his qualifications to the Government. The Government says, yes, you are qualifying. He wants to work and then suddenly, by the way, there is another regulator that comes back and tells you, no, you're not - we're not in agreement. So it would look like as if it's one entity in the end with divisioned opinions.

So I just maintain what I said in the beginning. We believe we are going to launch before Christmas, and don't ask me how.

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**Steven Pettifer - Merrill Lynch - Analyst**

Can I ask you, if you just guaranteed the loan, would I be right in assuming that would be one way forward?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

Yes.

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**Steven Pettifer - Merrill Lynch - Analyst**

Thank you.

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**Operator**

Your next question comes from [Anthony Shrun] of Cura Capital. Please ask your question.

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**Anthony Shrun - Cura Capital - Analyst**

Yes. Hi, gentlemen; just two questions. Firstly on Algeria, surely you could solve a lot of your problems with regard to valuation and [sum] of the parts. And also regulation and government relations, surely you could solve the problems if you did an IPO. That's the first question, or -- and part of the IPO would be to offer to locals, local institutions, all that.

And then the second question is on Zimbabwe. Obviously, with the latest developments there, it's a huge economic opportunity. It's obviously not as big as Algeria, but it is a population larger than Tunisia and could be a potentially hugely profitable business for you. But from what I gather on the ground, as the second operator there, you're pretty much asleep compared to the dominant operator.

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

No, I think -- first, let me take the second half. If you look at our numbers, you'd see that there is a surge in the Zimbabwe operation. We have injected new cash into the operation there. We invested in the network. We have doubled our subscriber base, and we're catching up very fast.

With the new policy of the dollarization, the situation changed dramatically and we reacted also to that extent.

So we are aware of that and it's actually pushing us to do more there. We have settled -- substituted the management. We have cleaned a lot of issues there.

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The first question on Algeria, we are working on an IPO scenario, but we believe that until this issue with the tax is clear, because we need to tell people what is really the claim, and we don't have a final statement from the people, from the tax authority, and we don't believe it's going to be fair to shareholders to come with an ambiguity like that. So we need to find out.

Of course, we can tell the shareholders this is unfounded, and there is nothing, and we will sue the authorities there both locally and internationally, but I'm not sure this is the right approach to an IPO.

Another thing we could do is we could just sell Algeria, especially if we win the match next week; maybe if we win the match next week, maybe it's a consideration in that case.

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**Anthony Shrun - Cura Capital - Analyst**

No, surely you could use the IPO as a bargaining tool?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

You can come with me next time and we can try, yes. Yes, I have to be diplomatic on a call like that, but it's not -- there is no stock exchange, big stock exchange there; there is no eagerness to open up to investment. The whole investment climate has changed there dramatically, so I'm not sure this is going to be an incentive.

I think the other incentive is -- maybe the incentive is we would sell out and maybe they start liking us back and we can stay. But as I said, it's now hanging on a fate of a football match.

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**Anthony Shrun - Cura Capital - Analyst**

Okay, but who would want to buy that asset from you if it's proving to be problematic?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

Well, it might be just problematic for us. It might be that someone else with other relations -- I don't know. I mean, we can say -- I have no intention to sell the Algerian asset, just to be clear, but what I'm saying is that, yes, it's quite valuable. We have been receiving a lot of requests to sell it, and we are very determined not to sell it, and we like being in Algeria.

And we hope that this current situation is similar to a situation where we were confronted with in 2002 where they suddenly also went -- these were against us and canceled financing by local banks and instructed the local banks not to finance our operations, and there was another media war on (inaudible) and Orascom that went without an explanation.

So we hope that this crisis is one of these and it will leave, even if it takes longer and even if we have to go to legalities. But we will not give up the IPO position. As I said, once we have clarity on the tax and once we can find a way to list on the local stock exchange, it's not just easy because the stock exchange locally also, it's not very vibrant.

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**Anthony Shrun - Cura Capital - Analyst**

Okay, could you list on the Tunisian stock exchange, or the Egyptian stock exchange and give Algerians access to that?

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

I don't think the Egyptian stock exchange is an option. I don't think anything Egyptian is an option right now, and they will not like the fact that you're listing another. So if we do something, we could list maybe in France on the Euronext, or maybe we could do a listing in the Euronext and the local exchange.

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As I said, we are working on that. We will envisage that, but we believe that first we need to clear the problem with the taxes, because we need to know what's the extent of that claim and whether we need to go to a court. And if we go to the courts, I think it's going to be more difficult to IPO during the court hearing.

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**Anthony Shrun - Cura Capital - Analyst**

Okay. Okay, thank you very much.

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**Operator**

(Operator Instructions). Your next question comes from [Hussein Varouch] of Arab Advisors Group. Please ask your question.

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**Hussein Varouch - Arab Advisors Group - Analyst**

Yes, I'd like to ask about the breakdown of subscribers between -- I mean, for Lebanon post-paid and pre-paid. That's all.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Shall I do this? Naguib, do you want to take this question? Go ahead.

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**Naguib Sawiris - Orascom Telecom SA - Executive Chairman**

Disclose this, normally I'll -- it's only a management contract, so it's not really -- has no significance, let's put it this way.

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**Hussein Varouch - Arab Advisors Group - Analyst**

Okay. Thank you.

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**Unidentified Company Representative**

Next question.

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**Operator**

Your next question comes from [Ali Nasser] of Duet. Please ask your question.

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**Ali Nasser - Duet - Analyst**

Hi, gentlemen. Just a quick question on the situation in Pakistan politically. Has that affected your operations, or have you seen any impact on your assets there?

Thank you.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Well, as you see the ARPU is -- if you should look at the ARPU in the third quarter, it has been a little bit slow compared to the second quarter, so this is despite the overall obviously extremely bad security situation. So what I would say is that the revenue and the EBITDA are pretty much stable, even though the security situation has been horrible in Pakistan. So let's -- I'm not so sure that it's going worse than where it is right now.

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**Khaled Bichara - Orascom Telecom SA - COO**

We can also say that the current situation has increased our OpEx a bit because of the law and order and electricity situation, so our costs to run the site and so on is higher. So if the situation improves, we can see an improved margin on that business, because currently, the amount of hours where we have to run our sites on generators and so on is higher than we expected because of the current law and order situation.

We were hoping that that will improve next year, but we're taking the current situation as our base for budgeting.

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**Ali Nasser - Duet - Analyst**

Thanks. Thank you.

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**Operator**

Your next question comes from Carola Bardelli of Deutsche Bank. Please ask your question.

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**Carola Bardelli - Deutsche Bank - Analyst**

Yes, good afternoon. Carola Bardelli from Deutsche Bank. The question is on CapEx. I was wondering if we should still consider EUR1.2 billion/EUR1.3 billion as the guidance for 2009?

And then looking into 2010, what we should consider considering that growth in Bangladesh and Pakistan seems to have resumed a little bit.

And then the other question was on ARPU in Egypt, whether we should consider falls of the same magnitude as we've seen in the third quarter, or if the competitive situation is easing a little bit in Q4 compared to Q3.

Thank you very much.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Okay. We're maintaining our guidance for CapEx for this year at EUR1.2 billion/EUR1.3 billion. We are in the process of making -- of doing all the budget for next year, so I don't have yet guidance for CapEx. So you would probably see, as you say, some increase in Pakistan and Bangladesh, but I would say pretty modest, and probably some savings in other countries, but I don't know the -- we have not done the full exercise.

The ARPU question was on the -- which was your second question, sorry?

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**Carola Bardelli - Deutsche Bank - Analyst**

On Egypt, the situation in Egypt that was heavily impacted by Etisalat in Q3. I was wondering what's happening now?

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Obviously, you've seen Q3 was a -- we saw a very, very heavy competition from Etisalat on pricing, which has now come back to a little bit half year level, so you should see a better competition environment in Q4. But obviously, we're also making the budget for next year to see how aggressive we want to be.

I don't know if, Khaled, you have anything else to add?

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**Khaled Bichara - Orascom Telecom SA - COO**

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I agree with Aldo. I think our view is it will get fixed also. The current promotions are moving from the large scale pre-paid promotions to some post-paid promotions which would still affect ARPU but not in the same magnitude. So at least in our view, that the September especially, we have the biggest decline in ARPU is somewhere we are going to rebound from.

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**Carola Bardelli - Deutsche Bank - Analyst**

Okay. Thank you very much.

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**Operator**

(Operator Instructions). You have no further questions at this time. Please continue.

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**Aldo Mareuse - Orascom Telecom SA - CFO**

Right, I think if there's no more questions, we'll end up the call. So thank you very much, and we'll see you for the year end results in mid March. Thank you very much.

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**Operator**

That does conclude our conference for today. Thank you for participating. You may all disconnect.

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